

February 5, 2021

Dear Shareholder,

**FNBH Bancorp, Inc. reports the following annual and fourth quarter results for 2020**

- Annual net income of \$6.8 million compared to \$5.8 million in 2019
  - 2020 pre-tax, pre-provision, pre-security gain/loss income totaled \$9.9 million compared to \$6.9 million in 2019.
  - 2020 net income includes \$1.5 million in loan loss provision expense compared to no provision expense recorded in 2019.
  - 2020 gain on sale of residential mortgages totaled \$3.2 million compared to \$1.5 million in 2019.
  - 2020 net income includes \$145,000 of gain recognized on sales of investment securities compared to \$409,000 in 2019.
- Quarterly net income of \$1.7 million compared to \$1.6 million for the fourth quarter of 2019
  - 2020 fourth quarter pre-tax, pre-provision, pre-security gain/loss income totaled \$2.6 million compared to \$2.1 million for the fourth quarter of 2019.
  - 2020 fourth quarter net income includes \$500,000 in loan loss provision expense compared to no provision expense recorded in 2019.
  - 2020 fourth quarter net income includes \$785,000 of gain on sale of residential mortgages compared to \$555,000 in fourth quarter 2019.
  - 2020 fourth quarter net income includes no gain or loss on investment securities compared to \$91,000 of net loss recognized in fourth quarter 2019.
- Total assets of \$554.5 million, increased \$119.3 million from year-end 2019
  - December 31, 2020 cash and cash equivalents were elevated at \$95.0 million.
- Tangible book value per share of \$2.29, compared to \$2.03 at year-end 2019
- Increase in total portfolio loans of \$24.8 million, or 6.9% since year-end 2019
  - \$43 million of Paycheck Protection Program (“PPP”) loans on December 31, 2020.
  - \$18.2 million decrease in non-PPP loan balances during 2020.
- Increase in nonperforming assets of \$160,000 to \$1.7 million since year-end 2019
  - The Bank’s Classified Asset Ratio measured 9.4% and 4.5% on December 31, 2020 and 2019, respectively.
  - The December 31, 2020 Allowance for Loan Loss equals 2.0% of total outstanding portfolio loans (and 2.25% of outstanding non-PPP portfolio loans).

2020 net interest margin of 3.91% compares to 4.40% in 2019. Net interest margin compression was caused by a combination of the relatively low interest rate/flat yield curve environment and 27% asset growth fueled by government financial stimulus. While increased assets and greater equity leverage benefit the bank and our stakeholders, prudent deployment of the resultant liquidity is an imperative earnings initiative.

The bank continues with the formal forgiveness process for the 500 greater Livingston County small businesses that benefited from \$60 million in forgivable loans through the bank’s 2020 participation in PPP under the federal CARES Act. Management anticipates that nearly all 2020 generated PPP loans will qualify for forgiveness.

In late December 2020, in response to the continuing COVID-19 pandemic, the federal government enacted the Consolidated Appropriations Act which among other things provides additional economic support to individuals and businesses via expansion of the Paycheck Protection Program (“PPP”). The bank is currently assisting 250+ local businesses with an additional \$26 million of forgivable PPP loans that will generate \$1.3 million in fee income to the bank. If you know of a business owner that might benefit from participation in the PPP program, please refer them to our bank.

During the first half of 2020, the bank worked proactively with its borrowers to grant payment modifications/deferrals to help ease the impact of the coronavirus. As payment modifications/deferrals have expired, very few recipients have at this time requested continued relief.

For additional information on the Company’s subsidiary bank, First National Bank in Howell, please visit the FFIEC’s central data repository public data website at <https://cdr.ffiec.gov/public/>.

During the fourth quarter of 2020, the Company implemented a share repurchase plan. Under the terms of the share repurchase plan, the Company is authorized to buy back up to 5% of its outstanding common stock. The share repurchase plan is authorized to last through December 31, 2021. For more information on the share repurchase plan or if you are interested in selling shares, please contact either Mark Huber, Chief Financial Officer, at 517-545-2213, me at 517-545-2221 or Eugene Bodo at Boenning & Scattergood (contact information below).

The Company’s common stock is quoted and traded under the symbol “FNHM” on the OTC Pink Open Market. If you are interested in buying shares of FNBH Bancorp, Inc., please contact one of the following:

- Thomas Dooley or Nick Bicking with D|A|Davidson at 800-394-9230. (Products and services are offered through DA Davidson. D|A|Davidson is not affiliated with FNBH Bancorp, Inc.)
- R. Nicholas Bach at 704-281-0745 with Janney Montgomery Scott LLC (formerly FIG Partners LLC). (Products and services are offered through FIG Partners LLC. FIG Partners LLC is not affiliated with FNBH Bancorp, Inc.)
- Eugene Bodo at Boenning & Scattergood at 610-862-5368. (Products and services are offered through Boenning & Scattergood. Boenning & Scattergood is not affiliated with FNBH Bancorp, Inc.)

We thank you for your investment and your commitment to community banking, including your loan and deposit business and customer referrals.

Your questions or suggestions are always welcome. Please contact me or any of our Directors anytime. Our contact information is provided below.

Best wishes for a safe, fulfilling and rewarding 2021!



Ronald L. Long  
President and CEO  
[Rlong@fnbh.com](mailto:Rlong@fnbh.com)  
517-545-2221

*Phil Utter, Board Chairman*  
[PUtter@FNBH.com](mailto:PUtter@FNBH.com)

*Stan Dickson, Board Vice-Chair*  
[SDickson@FNBH.com](mailto:SDickson@FNBH.com)

*Tim Corrigan, Director*  
[TCorrigan@FNBH.com](mailto:TCorrigan@FNBH.com)

*Robert Clemente, Director*  
[RClemente@FNBH.com](mailto:RClemente@FNBH.com)

*Will Dickson, Director*  
[WDickson@FNBH.com](mailto:WDickson@FNBH.com)

*Ken Marblestone, Director*  
[KMarblestone@FNBH.com](mailto:KMarblestone@FNBH.com)

*Mike Yost, Director*  
[MYost@FNBH.com](mailto:MYost@FNBH.com)

## DISCLAIMER

*Discussions and statements in this letter that are not statements of historical fact, including, without limitation, statements that include terms such as “will,” “may,” “should,” “believe,” “expect,” “forecast,” “anticipate,” “estimate,” “project,” “intend,” “likely,” “optimistic” and “plan,” and statements about future or projected financial and operating results, plans, projections, objectives, expectations, and intentions and other statements that are not historical facts, are forward-looking statements. Forward-looking statements include, but are not limited to, statements about the impact of the COVID-19 pandemic; descriptions of plans and objectives for future operations, products or services; projections of our future revenue, earnings or other measures of economic performance; forecasts of credit losses and other asset quality trends; statements about our business and growth strategies; and expectations about economic and market conditions and trends. These forward-looking statements express our current expectations, forecasts of future events, or long-term goals and, by their nature, are subject to assumptions, risks, and uncertainties. Although we believe that the expectations, forecasts, and goals reflected in these forward-looking statements are reasonable, actual results could differ materially for a variety of reasons. For example, there is significant uncertainty regarding the economic impact of the COVID-19 pandemic on our business and the markets we serve; our loan portfolio may not perform as we expect; we may not be successful with our cost reduction, loan growth, and other initiatives; and/or economic conditions could deteriorate in a manner that further hurts our financial condition or performance.*

*Our results of operations, cash flows, financial position, and prospects could also be materially and adversely affected by additional factors that are not presently known to us, that we currently consider to be immaterial, or that develop after the date of this letter. We cannot assure you that our future results will meet expectations. While we believe the forward-looking statements in this letter are reasonable, you should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. We do not undertake, and expressly disclaim, any obligation to update or alter any statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.*

**FNBH BANCORP, INC.**
**SUMMARY FINANCIAL DATA**
**December 31, 2020 Shareholder Correspondence**

(Unaudited)

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2020	2019	2020	2019
	(in thousands, except per share data)			
<b>Income Statement Data:</b>				
Interest income	\$ 5,132	\$ 4,863	\$ 19,701	\$ 18,533
Interest expense	192	293	936	1,043
Net interest income	4,940	4,570	18,765	17,490
Provision for loan losses	500	-	1,500	-
Noninterest income	725	729	3,765	2,771
Gain on sales of loans held for sale	785	555	3,238	1,479
Gain on sale of portfolio loans	-	74	-	74
Net gain on sales of available for sale securities	-	31	145	31
Gain (loss) recognized on equity securities	-	(122)	-	378
Loss on valuation write-down of premises held for sale	-	-	-	(70)
Net loss on repossessed assets	-	-	(15)	(12)
Noninterest expense	3,819	3,829	15,857	14,804
Income before income taxes	2,131	2,008	8,541	7,337
Net income	1,699	1,587	6,795	5,828
<b>Per Share Data:</b>				
Earnings per basic common share	\$ 0.06	\$ 0.06	\$ 0.24	\$ 0.21
Weighted average common shares outstanding	27,771,691	27,771,678	27,771,691	27,771,678

	2020	2019	December 31,		
			2018	2017	2016
	(in thousands)				
<b>Balance Sheet Data:</b>					
Total assets	\$ 554,508	\$ 435,231	\$ 412,384	\$ 400,575	\$ 399,281
Portfolio loans, gross	382,229	357,414	323,793	267,245	226,507
Allowance for loan losses	7,630	5,911	5,655	4,897	4,826
Securities	55,500	35,466	44,270	71,906	143,720
Deposits	487,211	375,858	360,644	347,625	332,065
Other borrowings	-	-	-	5,000	20,500
Shareholders' equity	63,699	56,441	49,623	46,244	45,151
<b>Ratios:</b>					
Allowance for loan losses to loans outstanding	2.00%	1.65%	1.75%	1.83%	2.13%
Average equity to average asset ratio	12.00%	12.64%	12.08%	12.19%	10.39%
Net interest margin (tax equivalent)	3.91%	4.40%	4.17%	3.49%	3.37%

	2020	2019	December 31,		
			2018	2017	2016
	(in thousands)				
<b>Nonperforming Loans and Assets:</b>					
Nonaccrual loans	\$ 1,675	\$ 1,350	\$ 1,176	\$ 2,157	\$ 2,103
Loans past due 90 days and still accruing	-	-	16	-	-
<b>Total nonperforming loans</b>	<u>1,675</u>	<u>1,350</u>	<u>1,192</u>	<u>2,157</u>	<u>2,103</u>
Other real estate owned and repossessed assets	-	165	62	50	170
<b>Total nonperforming assets</b>	<u>\$ 1,675</u>	<u>\$ 1,515</u>	<u>\$ 1,254</u>	<u>\$ 2,207</u>	<u>\$ 2,273</u>
Nonperforming loans to total portfolio loans	0.44%	0.38%	0.37%	0.81%	0.93%
Allowance for loan losses to nonperforming loans	455.63%	437.93%	474.50%	227.06%	229.52%
Nonperforming assets to total portfolio loans, other real estate and repossessed assets	0.44%	0.42%	0.39%	0.83%	1.00%

	2020	2019	December 31,		
			2018	2017	2016
	(in thousands)				
<b>Classified Loans:</b>					
Commercial	\$ -	\$ -	\$ -	\$ 27	\$ -
Commercial Real Estate	5,522	2,184	348	1,239	847
Consumer Real Estate	602	208	721	937	1,325
Consumer and Other	114	52	159	8	21
<b>Total</b>	<u>\$ 6,238</u>	<u>\$ 2,444</u>	<u>\$ 1,228</u>	<u>\$ 2,211</u>	<u>\$ 2,193</u>